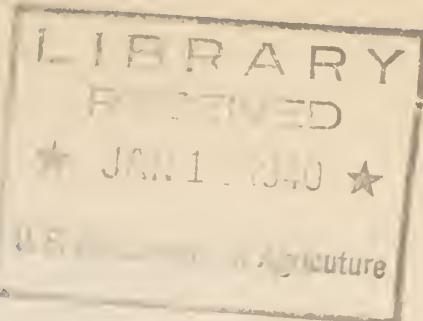


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U.S. Farm sec. ad...



CO-OPS FOR THE SMALL FARMER

More than 3,000,000 American farmers are using their own co-operatives to buy things they need, and to sell the crops they raise. They are doing more than two billion dollars worth of business through their co-ops every year.

These 3,000,000 farmers have found that co-ops pay. Every day more farm families are learning to make and save money through many different kinds of co-op organizations. This leaflet outlines some of the opportunities which co-operatives offer, especially for the small farmer.

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A farmer with 40 or 50 acres of land usually cannot afford to own a tractor. He could use it only a few days a year, and the tractor could not earn enough to make the investment worthwhile.

If eight or ten small farmers get together, however, they can buy one tractor for all of them to use. They can take turns using it to plow and harvest and terrace their fields, so that it will be busy nearly all the time; no money will be tied up in idle machinery. All of them can have the best modern equipment, at very small cost, because the investment is spread over ten farms instead of one. The tractor would have lost money for one farmer; but for ten farmers, it is good business.

That is an example of a co-operative in its simplest form. Co-operation simply means "working together" — and thousands of small farmers have found that they must work together to keep from going broke.

For instance, Ed Carson is a little cotton farmer, tilling 15 acres with a lean mule and a plowshare that was handed down from Grandpa. He has a hard time making ends meet. He cannot compete on even terms with the big corporation farm down the road, which operates 3,000 acres with tractors and gangplows, buys its seed and fertilizer wholesale, and sends its cotton to its own gin.

If he doesn't want to go bankrupt and lose his land, Ed Carson will have to use the modern equipment and efficient methods, just like his big competitor. There is only one way he can do it—he can get together with the other little farmers in his neighborhood and start a co-operative.

They can buy one or two pieces of good equipment for all of them to use. They can pool their money and buy their seed, fertilizer, and other farm and household supplies in large quantities—therefore getting better quality at lower prices. They may find that it is good business to sell their pigs and truck crops co-operatively, instead of peddling them separately, a wagonload at a time. In the long run, they may even be able to

start a co-operative cotton gin, owned jointly by all the little farmers in the township. Then they can save a good part of their ginning fees, just like the big company farm which operates its own gin.

All over the country small farmers are doing these things and making money at it. There is nothing new about this way of doing business. American farmers have been working together in co-ops for more than a hundred years -- ever since 1810, when a few Connecticut dairymen set up a co-operative cheese plant. Today, however, more little farmers are joining co-ops than ever before, because it is getting harder and harder for the family-size farm to compete against the big commercial farms, which are run like factories with all kinds of modern equipment.

Government Help for Farm Co-ops

The government is willing to help farmers work through co-ops, because it does not want to see the small, family-size farm disappear. Family-size farming is a deep-rooted American tradition, and no good citizen wants to see it swept away by the growing competition of the big commercial farms. One of the best ways to save it is to help the little farmer -- through co-operatives -- to operate just as efficiently as his big competitors.

For this reason, the Farm Security Administration has helped more than 200,000 farmers, scattered through every state, to start co-operatives of their own. It makes loans to groups of farmers, when they cannot raise the money anywhere else, to buy the equipment and services they need.

More than 10,000 of these small co-operatives are already doing business. With FSA loans they have bought tractors, combine harvesters, cotton gins, fertilizer and lime spreaders, spraying tools, saw mills, feed grinders, hay balers, mowers, and many other kinds of equipment.

A farmer with two or three milk cows, for example, cannot afford to own a pure-bred bull; but if he gets together with a dozen neighbors, they can buy a high-quality bull to service all their herds. Nearly 1,500 groups of farmers have borrowed money from FSA to buy co-op bulls, stallions, boars, jacks, and rams. This means better livestock and larger incomes for all of them.

In Illinois a group of FSA borrowers are making money by buying special hybrid seed corn co-operatively. In the past these farmers had used untested seed from their own cribs, or had bought it from their neighbors. Last year, by pooling their orders and buying from a first-class seed-grower, they were able to get tested hybrid seed corn at 20 per cent less than the market price -- a saving of \$540. This special seed cost them only \$12.20 each; but because hybrid seed gives a much better yield than ordinary seed corn, they increased their earnings by about \$100 each.

Sometimes a few farmers get together to pay a traveling blacksmith to visit their neighborhood, shoe their horses, and repair their machinery. Others

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have set up co-op trucking services, to haul their fruit and vegetables to market. In one Texas community, 129 farmers started a veterinary service co-op, which costs each of them from \$5 to \$16 a year, depending on how much livestock he owns. With this money they hire a veterinarian, who inspects the stock on each farm every six months and makes emergency visits if an animal needs special attention. The annual fees also pay for all vaccinations, medicines, and drugs. These farmers are getting better veterinary service than they have ever had before, at considerably lower cost.

Health Protection

If the health of his livestock is important to a farmer, his own health and that of his family is doubly important. Many families have had all their savings wiped out by one unexpected illness. Thousands of other families have never been able to pay for ordinary medical care and have suffered for years from diseases which might easily have been prevented. That means poor farming and low income, because a sick farmer can't do a good day's work any more than a sick mule.

For this reason, FSA has helped more than 150,000 farm families to form health associations with the assistance of the local medical societies. Usually these groups include from 150 to 300 families in a single county. Each family pays, in advance, a fee ranging from \$15 to \$30 a year. If anybody in the family gets sick, he goes to the doctor of his own choice, and gets whatever treatment and medicine he needs. The doctor then turns in his bill to the association for payment.

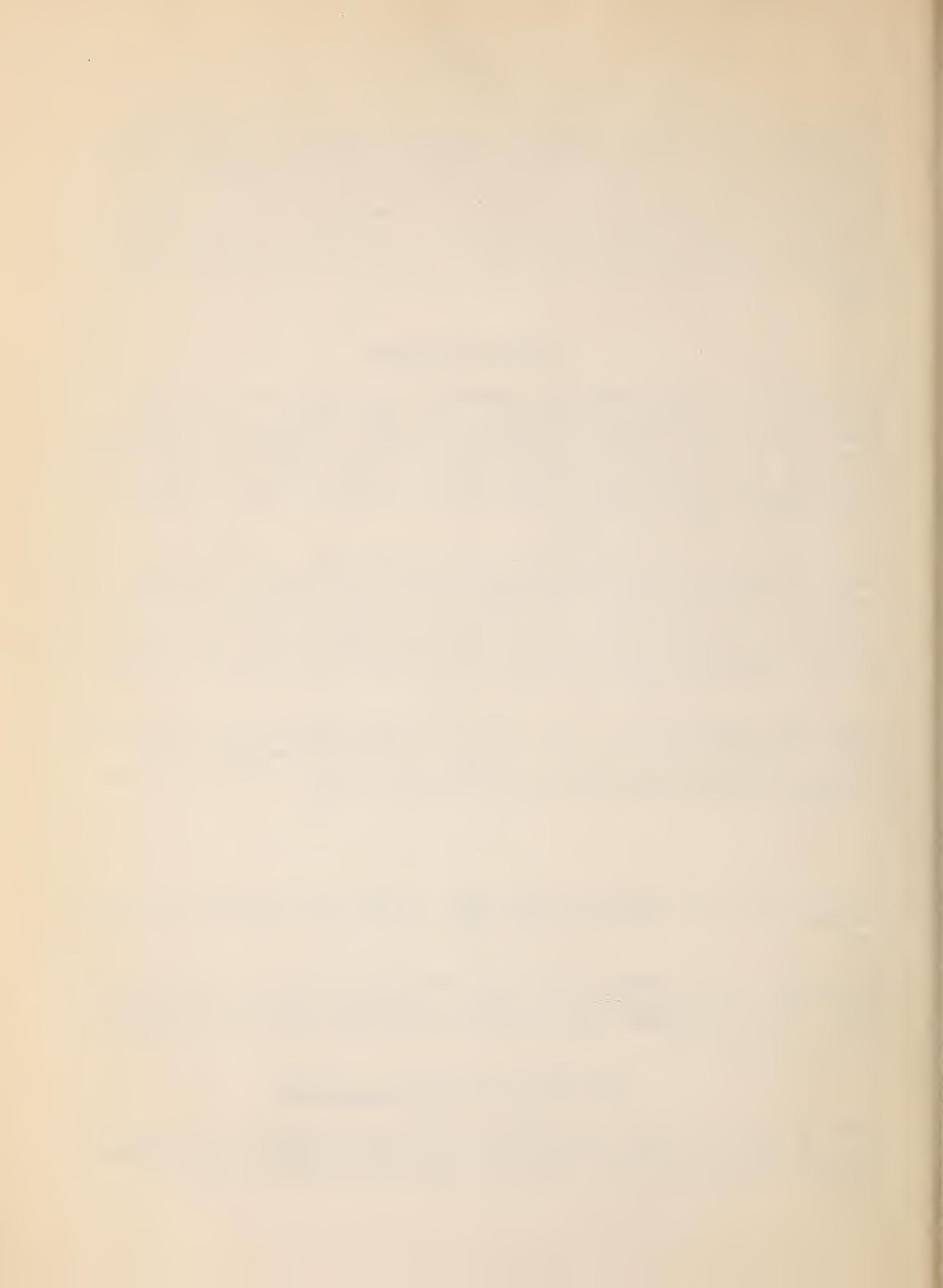
Group health associations of this type have given good medical care to thousands of families who never had it before. They also have been a real financial help to country doctors, because the pooling of the year's fees in advance insures prompt payment for medical services.

These are just a few examples of the ways in which small farmers are taking advantage of co-operatives with FSA help. New ways are being found every day.

For example, in Box Elder County, Utah, more than 200 little co-ops of many different kinds already are in operation. They serve about 900 farm families. It is no accident that this county has become one of the most prosperous in the state.

New Members for Old Co-operatives

Often it is not necessary for farmers to start new co-operatives, because they can join old, well-established co-operatives which already are flourishing in their communities. There are more than 10,000 of these, in



addition to the little co-ops and community services which have been started with FSA help.

Most of them were set up years ago by farm organizations, such as the Farm Bureau, Grange, and the Farmers' Union. Sometimes they have built up their plants and working capital without help; sometimes they have got financial aid from the government sponsored Bank for Co-operatives. Nearly all of them started on a small scale with only a few members.

Today many of these older co-ops are big business enterprises, owned and operated by farmers and turning their profits back into the farmers' pockets. Some of them have thousands of members, and own buildings and equipment worth millions. They operate grain elevators, cotton gins, cheese factories, fruit and vegetable packing plants, livestock and wool marketing associations, city markets where farmers can sell their produce, and many other facilities. For instance, nearly one-half of all the creamery butter produced in this country is made in co-operative plants.

The earnings which farmers make out of some of these activities are surprisingly large. One of the biggest items of expense to farmers with modern machinery is gas and oil. In order to save money on these purchases, farmers are buying more than \$80,000,000 worth of oil and gas through their own co-operatives every year. All over the country, farm co-ops are running filling stations, tank trucks, and distributing plants. Just a few weeks ago the first co-op oil and gas refinery was opened by a big mid-western co-operative organization.

More and more small farmers are realizing that it is good business for them to take advantage of these established co-op enterprises. Any farmer may join them at very little cost. If he does not have the money to join, the Farm Security Administration often can lend him enough to pay the membership fee or purchase a share of stock.

The Co-ops of Tomorrow

Co-operatives have been growing rapidly and soundly, especially in the last ten years, but they still have a long way to go. They are strong in the Middle West and Pacific Coast states, but in the South -- where farm incomes are lowest and co-ops are most needed -- they have barely taken root.

In comparison with the co-operative movement in a few other countries, America's is still a baby. In England, for instance, half of all the families in the nation belong to co-ops. City people as well as farmers have learned to run their own businesses the co-op way, and one-seventh of all the food that England eats is now sold through co-op stores. All of the little co-op groups have banded together in one big organization -- the English Co-operative Wholesale Society -- which owns its own flour mills, shoe factories, banks, and steamship lines.

In Denmark, whose farm people are among the most prosperous in the world, co-ops handle nearly everything the farmers raise for market or buy for their own use. In Sweden, Norway, Holland, Ireland, and other countries co-ops also control a large share of all business, in town and country alike. They have done much to keep those countries stable and prosperous, even when the rest of the world was having hard times.

What these countries have done, the United States can do as well. Many co-op members believe that co-operatives in this country will keep growing, until they bring prosperity and plenty to millions of hard-up families, and go a long way towards making depressions impossible.

If you want further information about co-operatives, or help in organizing a small co-op in your neighborhood, call on your County Agricultural Agent or the Farm Security Administration supervisor for your county.

Farm Security Administration
U. S. Department of Agriculture
Washington, D. C.

December 8, 1939

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Co-operative Booklet

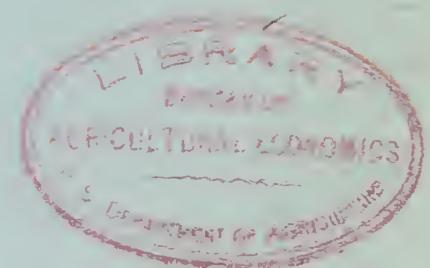
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LESSONS
I, II, III, IV



COOPERATION

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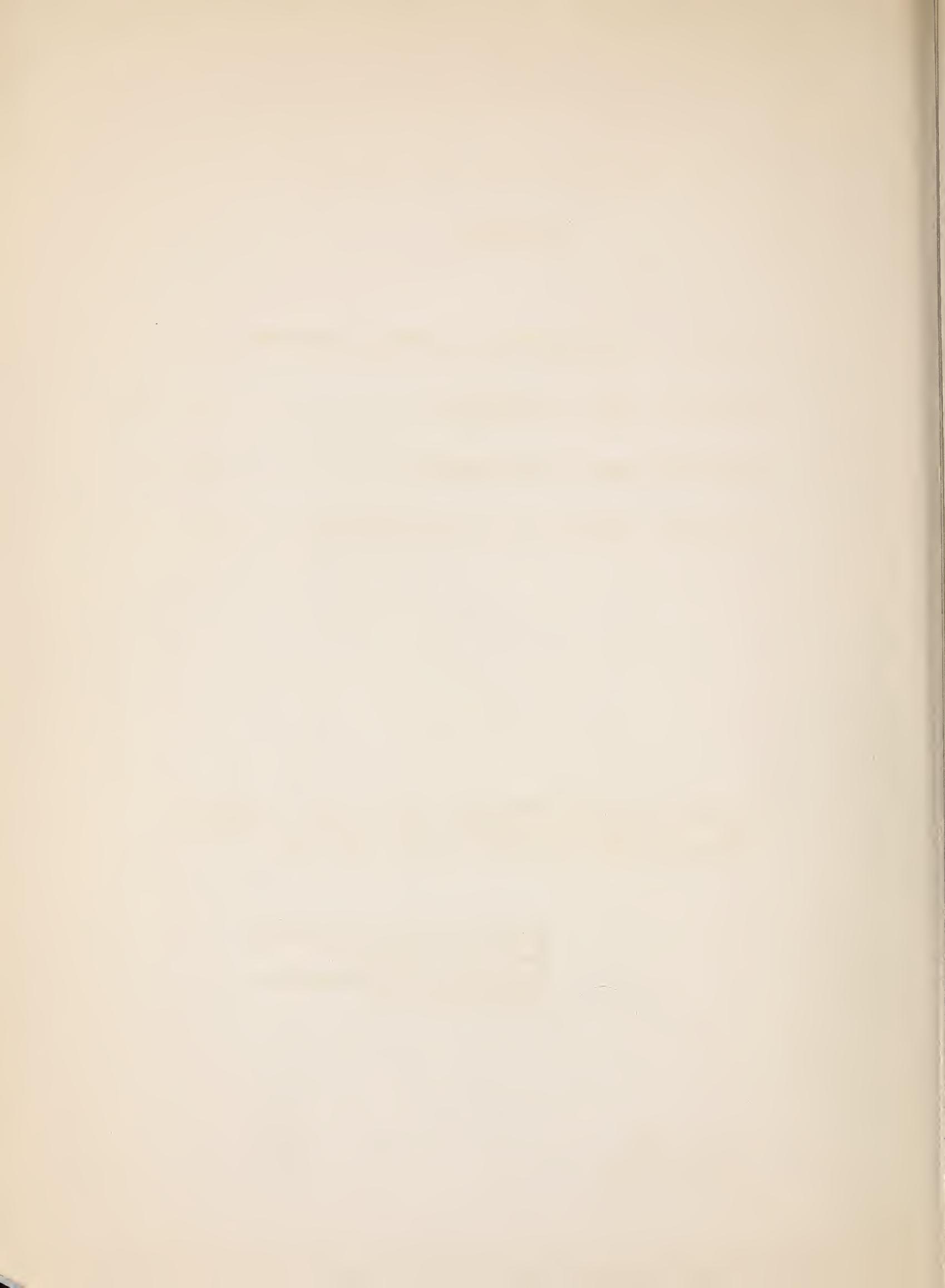
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Prepared for use in communities which desire information about the cooperative method. This booklet is used in conjunction with cooperative educational work.

Economic Development Section
Management Division
Resettlement Administration
Washington, D. C.

July 14, 1936
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December 8, 1936



LESSON I

THE BEGINNING OF CONSUMERS COOPERATION

1. What is Consumers Cooperation?
2. How the workers of Rochdale Lived.
3. The Strike of the Flannel Weavers.
4. The Weavers Consider New Plans.
5. Why Cooperation Appealed to Them.
6. How They Raised the Money.
7. Their Objects and Plans.
8. They Find a Location for Their Store.
9. Preparation for the Opening.
10. December 31, 1844.
11. How the Store was Operated.
12. The First Year of Growth.
13. New Fields for Cooperation.
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THE BEGINNING OF CONSUMERS COOPERATION

When several men together move a rock which none of them can move alone, they are cooperating. Everyone knows that this is an easy way of doing things which are difficult. It is strange, therefore, that so few know anything about Cooperatives. Most people do not even know what a Cooperative is. It is the purpose of this lesson to answer that question. We shall do so, not by theorizing about cooperation, but by telling the story of one of the world's first successful cooperative stores. In that way we shall see just why and how a Cooperative comes into existence, and how it works.

HOW THE WORKERS OF ROCHDALE LIVED:

Almost a hundred years ago there was great distress among the flannel weavers of Rochdale, England. This city is in the heart of the Lancashire Cotton belt and was at that time one of the richest manufacturing centers in the world. The flannel trade itself was brisk and all of the factories of Rochdale were being operated at full capacity. The owners of these factories had never before been doing so well. Yet the men, women, and children who worked in these factories were miserably poor. They worked from six o'clock in the morning until eight at night, and for only a few pennies. This seems unbelievable; yet it is true that a hundred years ago there were 1500 workers in Rochdale whose wages were only 45¢ a week, and many hundreds who earned even less. Indeed, there were 136 people in this city who were living on 12¢ a week - their wages for six days of hard labor. More than eighty per cent of the people of

Rochdale had scarcely any blankets, and there were eighty-five families who had no blankets at all. Many of these people slept on chaff beds with no covers of any kind -- this in a community whose chief industry was the weaving of material for blankets!

Not only were wages low, but the price of bread was high, and since bread was the most important article of their diet, a few workers could afford to buy anything else. There was as yet no system of public education; so the only way in which a man could educate his children was by saving enough from his wages to pay for their schooling. It can truly be said that for most of these people life held nothing but poverty and labor with the prospect that their declining years would be spent in the still more wretched environment of the poor house.

THE STRIKE OF THE FLANNEL WEAVERS:

Because the flannel trade was now so good the workers decided that the time had come to ask for an increase in wages. They realized that this was a dangerous thing to do, because few men acting on committees making such requests could ever again get jobs in the factories. In spite of this, the trades union found several brave men who were willing to go to the owners and ask for more wages at the risk of losing their jobs. The committee called on each of the mill owners and found that some of them were willing to make the required advance provided the others also made it, but many owners said that they would close their mills rather than advance wages. Upon hearing this report, the angry weavers pledged themselves to subscribe 4¢ a week toward the support of any of their companions who were out of work, hoping that they could in this way hold out

long enough to bring the more stubborn owners to terms. The owners, however, closed down in such numbers that the weavers who had employment were utterly unable to care for the unemployed. Thus the strike was broken, and the weavers were no better off than before.

THE WEAVERS CONSIDER NEW PLANS:

The failure of the strike only strengthened the sense of injustice which was so keenly felt by the flannel weavers. There was much discussion among them as to what course they should now take, and they listened eagerly to propagandists who urged them to various kinds of action. The Chartist advocated radical reforms in the national laws. The Trade Unionists spoke of ways to make their strikes effective. The Socialists wanted the workers to build a party which would force the state to take over the means of production. Followers of Robert Owen spoke of the values of cooperation, and temperance men said that the curse of drink must be removed. Wherever a few workers met there was sure to be intense discussion of some or all of these ideas. Most of the workers could neither read nor write, but they listened carefully to what was said, and were guided in their thinking by a hard common sense which was born of the conditions in which they lived.

WHY COOPERATION APPEALED TO THEM:

In the summer of 1843 a meeting was held in Rochdale to discuss "the best means of obtaining the peoples Charter". There were present at this meeting several flannel weavers who were destined to begin one of the quietest and most successful revolutions in history. James Smithie, Charles Howarth, and James Daly were the leaders. They had prepared a

plan which they had already persuaded several other workers to support.

Already there was a lively discussion of the merits of their plan.

For a long time these men had been interested in the Cooperative Colonies which had so often been tried in England and elsewhere. The purpose of these colonies was to build self-supporting communities which would produce and exchange everything the members needed for their own use. It is true that all attempts to build such colonies had failed, but Charles Howarth couldn't get it out of his head that there was something valuable in the idea of Cooperation. The picture of a group of people working for and with each other, always keeping the proceeds of their own labor, seemed to him perfectly sound and sensible. He was also attracted by the possibility of doing away with profits. To one who had for years seen a large percentage of his meager wages disappear over the counter as profit, this prospect had an irresistible appeal. And so it was with all of them. As Charles Howarth talked of these things the men nodded assent, asked questions, debated certain points, but in the end they decided to try his plan, which was in itself so simple that there seemed nothing really noteworthy about it.

All they were to do was to start a store. He told them if they could bind themselves to save a small amount every week for a whole year, they would be able to buy a small stock of goods at wholesale and thus save themselves the profit which always went to the retailer. It was this small saving that was important. These were the men who had recently lost a strike because they had no money. They did not want to be caught like that again, so the plan of the cooperators appealed to them because

it offered them the possibility of actually saving a little out of their earnings. Then, too, they would have the excitement of trying to beat the merchant at his own game, of showing that they could "do for themselves" even to running a business. They had no illusions concerning the task before them. To start a store with neither capital nor experience seemed a foolhardy thing to do. But in their favor they had the qualities of common sense, determination, and loyalty to their cause.

HOW THEY RAISED THE MONEY:

In order to start a store, one must have money. The only way in which these workmen could raise any money was to contribute it from their earnings. This simple fact must have been very disheartening to men who earned less than enough to supply their families with decent food and clothing. Yet the weavers of Rochdale, remembering how they had recently pledged two pence a week for the support of their unemployed friends, now pledged three pence a week toward starting a store. After a good deal of work and persuasion, they got about 28 weavers to join in this undertaking. They then appointed collectors to call upon each member every Sunday for his contribution.

The devotion of these collectors to the cause for which they worked cannot be questioned. It meant a tramp of over twenty miles to make the rounds of all these weavers. Yet each week these men faithfully collected the pennies at each door, and for their time and labor received no payment of any kind. After many weeks of such careful savings, the society had accumulated the sum of 28 pounds or about \$130.00.

THEIR OBJECTS AND PLANS:

On October 24, 1844, the Cooperators registered their society with the proper government official under the name, "The Rochdale Society of Equitable Pioneers". They were now ready to carry out their plans.

In their statement of what the society was for, the "Pioneers" said they intended to "form arrangements for the pecuniary benefit of the social and domestic conditions of its members". They would do this by raising a sufficient amount of capital in shares of one pound each to bring about the following plans:

1. The establishment of a store.
2. The manufacture of articles needed by the society.
3. The building of houses in which the workers might live.
4. The eventual establishment of a self-sustaining community which would make and exchange everything needed by its own members.

Note that these plans included much more than just a cooperative store. Modern cooperators are tempted to look upon the plans with amusement. Holyoake, who was not a modern, says "marvelous as has been their subsequent success, their early dream was much more stupendous -- in fact it amounted to world making". There are cooperators today who are also interested in "world making". And if some are not, it is only because their ideas of cooperation are quite different from those of the 28 weavers of Rochdale.

THEY FIND A LOCATION FOR THEIR STORE:

Twenty-eight pounds will not go very far in establishing a business. It was, therefore, necessary to find a location where the rent would not be too high. A Committee was appointed for this purpose, and after

examining several buildings, they finally chose the ground floor of Mr. Dunlop's warehouse in Toad Lane. This was not a very inviting street, but they obtained a lease on the place for three years at 10 pounds per year. After paying Mr. Dunlop his rent for the first year, the society purchased a very few necessary fixtures, and then had 14 pounds left with which to buy supplies for the store.

PREPARATIONS FOR THE OPENING:

Now the cooperators were busy every evening. James Tweedale, Miles Ashworth, and James Daly were appointed to make what repairs were necessary on the warehouse, and other members of the society joined in cleaning the place and installing the furniture. David Brooks and John Holt purchased the store's first stock of goods, which consisted of only four items: flour, butter, sugar, and oatmeal. With the appointment of William Cooper as cashier and Samuel Ashworth as "salesman", the cooperators were ready to open their business.

DECEMBER 21, 1844:

On the evening of the shortest day of the year, a little group of weavers was assembled near the warehouse in Toad Lane. They looked at each other hesitantly, for it appeared that each was hoping that one of the others would overcome his shyness and be the first customer of the store. Also assembled for the event were some young street ruffians, known as the "doffers", boys from 10 to 15 who worked in the mills. Laughing and shouting in the street before the warehouse, they watched "owd face" as William Taylor was known, officially open the shop by taking

down its shutters. With a cry of "Aye, the owd weavers shop is open at last", they rushed over to its windows to inspect its scanty provisions. One by one the cooperators and their wives now entered the store. Rather self-consciously they examined the stock and carefully bought a little flour or butter from the smiling Mr. Ashworth. That same evening a few candles were added to the stock, thus increasing the number of their commodities to five items.

HOW THE STORE WAS OPERATED:

To avoid angering the "legitimate" shop-keepers of the town, the cooperators had from the first decided to charge the regular market price for all their goods. Thus they escaped the charge of "under-selling, or price-cutting". But this meant that the profit which ordinarily went to the private owner of the store would accumulate and be a kind of surplus belonging to the members of the society. What to do with this surplus? They had already decided to pay a regular or fixed rate of interest on the small amounts of capital which each member had loaned to the society. Some of the store's profit, or surplus, would be used for this purpose. But what to do with the rest? The weavers hit upon a wonderful idea. They decided that the rest of the surplus should be divided among the members of the society according to the amount that each member bought from the store. (Not according to the amount that each member invested in the society). This share of the store's surplus is appropriately known as a "patronage dividend". The Rochdale cooperators saw that such an arrangement would encourage and reward the loyalty of the members. It also had another remarkable effect: the weavers found that instead of

getting into debt to the storekeeper, they were now actually saving money. At the end of each quarter, they received their "patronage dividends" over the counter, and the actual receipt of this money seemed to be a pure gift. Thus, other workers were eager to join the society to share in the "dividends".

The system of voting also encouraged people to join, for not only were both sexes to have equal membership rights, but each member was to have one vote and no more, regardless of how many shares he owned or how much he purchased from the store. Thus, the newest man in the society had as much voice in its meetings as the man who had belonged from the time of the society's formation. This emphasis on democratic control was, from the first, one of the strongest principles of the Cooperative movement.

The Pioneers also set up rules and methods aiming to insure both economy and efficiency in the management of the store. Business was to be done on a cash basis. All purchases and all sales were paid for in cash when the goods were handed over. The Cooperators regarded credit as only a costly practice leading to indebtedness and waste. Furthermore, they ruled that accounts must be properly kept and audited, and balance sheets regularly presented to the members. The desire for business efficiency shown in these rules was the natural result of their attempt to supply their own needs as cheaply as possible.

THE FIRST YEAR OF GROWTH:

During the first year, the store was kept open only during the evenings, and the weavers took turns in helping with the work. As the

benefits of the store became known, the membership of the society increased. With the growth of membership and trade, the store was gradually able to add new items to its stock. Some of the members helped the store to do so by turning in their profits for this purpose. Before long, the store was doing so well that the private shopkeepers were beginning to notice it. The workers, however, were steadfast in their loyalty, for here they were able to buy fresh and unadulterated goods at prices no higher than they paid for inferior goods elsewhere, and while they had to pay cash for what they bought, they paid only what the item actually cost, because they ultimately received the "profit" themselves. At the end of the first year of business, the store had over eighty members and possessed a capital of 181 pounds or about \$900.00.

NEW FIELDS FOR COOPERATION:

By 1851 the business had grown to such a volume that the society decided to keep the store open all day, and pay full-time wages to the men who cared for it. Other stores were also being organized in other communities, and soon there was talk of the necessity of all of these stores having a single wholesale store from which they could buy their goods. This move resulted in knitting the whole movement together and greatly increasing the speed of organization.

In 1852 the scope of the society's activities was increased by the passage of the first "Industrial and Provident Societies Act". Up till this time the activities of the society had been limited to its own membership. The "Friendly Society Act" under which they were first registered gained for them a few privileges, but it had been intended for

purely charitable associations and was wholly unsuited to the wider needs of this new society. The new law swept away the legal obligation on the part of the store to deal only with its own members. It also allowed the cooperators to use their funds for many new and different purposes. It was now possible for them to allocate $2\frac{1}{2}$ per cent of their profits for educational purposes. With this fund, they established reading rooms and libraries in each of the Societies' Centers, published Cooperative magazines and newspapers, and began to set up classes for the education of all their members. Indeed, it began to appear as if there was no part of their life which would not be touched by cooperation, for they established insurance companies, turkish baths, a sick and burial society, and a building society.

The Pioneers did not have complete success with everything they tried, but as the years passed, they found themselves independent citizens who were free of debt and the owners of their institutions. They were better dressed, ate better food, and were educating their children. Not only this, but their rapidly growing stores offered a field of employment for their members, and the fear of the poorhouse no longer haunted those who were growing old. The experiment at Rochdale was a success. And as the stores succeeded, people began to forget how they had ridiculed the idea at the start. To quote from Holyoake:

"An almost universal opinion was prevalent not only in Rochdale, but throughout the country and in Parliament, that Cooperation was an exploded fallacy. And the poor Cooperators were looked upon as dangerous emissaries of some revolutionary plot, and at the same time as fanatics deluded beyond all hope of enlightenment, who were bent on ruining themselves, and too ignorant to comprehend their folly or their danger. It was not until the small but unfailing stream of profits began to meander into all out of the way cottages and years--it was not until the town had been repeatedly astonished by the discovery of weavers with money

in their pockets, who had never before been known to be out of debt, that the working class began to perceive that the "exploded fallacy" was a paying fallacy; and then crowds of people who had all their life been saying and proving that nothing of the kind could happen, now declared that they had never denied it, and that everybody knew Cooperation would succeed, and that anybody could do what the Pioneers did."

This reminds one of the more recent remark of the Very Reverend Inge, that "Every worthy movement has to pass through three stages. First, people say it is ridiculous; second, that it is contrary to religion; and third, everybody knew it before".

THE ROCHDALE SYSTEM TODAY:

The story of the little shop in Toad Lane is not yet complete. The Cooperative movement is now stronger than it has been before. It has a far-flung organization of stores, wholesale companies, factories, farms, and banking societies covering all the civilized countries of the world. The greatest strength of the Cooperators is still in England, the country in which it began. England has today over a thousand cooperative societies with a total membership of nearly seven million persons. This, with the families of the cooperators, represents at least half of Great Britain's population. These societies have a share capital of 115 million pounds (about 575 million dollars) and employ more than a hundred thousand workers. At the present time the Cooperative movement shows a steady growth in every country where the government had not hindered the movement.

SUMMARY:

The story of Rochdale is the story of a group of ordinary workers who lived in England about a hundred years ago. Many of these men were illiterate; all of them were poor. They attempted to better their wages and working conditions by means of strikes. They failed in this because their trade unions were weak and because they were unable to save enough money to care for their families while they were not working. After the strike a few of the weavers concentrated all of their attention on the problem of saving money, of getting the capital to enable them to fight their battles more effectively.

While doing this they learned of the Cooperative Colonies which Owen and others had tried to form, and decided that a self-supporting colony would be the ideal solution to their troubles. Because it was impossible to carry out such a far-reaching scheme immediately, they decided to start with a store, and gradually build from it towards a completely cooperative community. Handicapped by lack of money, education, experience, and by the opposition of shopkeepers, they nevertheless succeeded in raising enough money to start a very modest store. Each of the weavers subscribed a little money to the undertaking. A fixed rate of interest was paid for the money which each weaver had invested. The "profits" of the store were then divided among the members according to the amount of goods they bought. The control of the store was in the hands of the members, each having one vote regardless of the amount he had invested.

The store soon became a financial success, with the result that its membership grew rapidly and the society soon expanded its activities far

beyond the confines of Rochdale. The principles on which this store was founded finally became the basis of a world-wide Cooperative movement. This movement looks upon all people as Consumers and, therefore, as possible patrons and shareholders of Cooperative enterprises. The originators of the Rochdale store, however, had no intention of starting such a movement. They were interested only in improving their own position as workers, and they believed that they could do this if they possessed the machinery for producing and distributing the products of their own labor. The store was to be only a first step towards the accomplishment of this aim. This aim was never realized, but the twenty-eight weavers did make a success of their cooperatively-owned store. Furthermore, the example they set has been the basis of the present world-wide "Consumers Cooperative Movement."

QUESTIONS BASED ON THE STORY OF ROCHDALE

These questions are intended to help you clarify the story of Rochdale in your own mind and to enable you to give it meaning. Each question can be answered clearly and completely on the basis of the information already furnished, but to do this you yourself will have to provide the necessary explanations.

I. THE SITUATION OUT OF WHICH COOPERATION GREW

1. What was produced in the City of Rochdale?
2. Who sold the goods produced in the factories?
3. What did the factory workers sell?
4. What did they get for it?

II. ATTEMPTS OF THE WORKERS TO IMPROVE THEIR LIVING CONDITIONS:

1. Why did the weavers have a trade union?
2. How did the trade union try to increase the pay of the workers?
3. Could a successful strike improve the workers' living conditions? Explain.
4. Why was the weavers' strike unsuccessful?

III. THE WORKERS ORGANIZE A COOPERATIVE STORE:

1. What was the immediate purpose behind the plan to start a store?
2. What was the weavers' ultimate goal?
3. What steps did they take to organize their store?
4. How did they raise money for their enterprise?

IV. THE OPERATION OF THE ROCHDALE STORE:

1. Why was the store operated on a cash basis?
2. What prices did the cooperators set on the goods within their store?
3. Why did the society limit the amount of interest which it would pay on capital invested in the store?
4. How were the profits distributed to the members?
5. What were the effects of the "patronage dividend"?
6. What rule of the society provided for democratic control of the store?
7. What steps did the society take to insure efficiency of operation?

V. CONSUMERS' COOPERATION:

1. Did cooperation begin in Rochdale as a working class movement?
2. Was membership in the store limited to workers?
3. What features of the "Rochdale System" made it possible for all the consumers who bought at that store to profit by so doing?
4. Since all people are consumers, everyone can, theoretically, belong to a Consumers' Cooperative. What were the membership requirements of the society at Rochdale?
5. What were the handicaps of these weavers in beginning their enterprise?
6. Why do you think they succeeded?

LESSON II

AIMS OF COOPERATION

1. Individualism to Cooperation.
2. Conscious Cooperation.
3. Aim of Cooperation.
4. Cooperation in Resettlement Communities.
5. Cooperation Must Be Voluntary.
6. What the Cooperative Does for the Members.
7. Results of Cooperation for the Members and the Community.
8. The Cooperative Retains the Wealth of the Community in the Community.
9. The Government Loans Made More Secure and Retirement Expected Sooner with Cooperation.



AIMS OF COOPERATION

Man usually considers himself an individualist until misfortune overtakes him and he has trouble securing food and clothing for his wife and children. He worries and frets; he stumbles and falls; he gets up again ready to do his best; he draws fully upon his courage until finally he realizes that it is useless to struggle alone. He then desires to join arm and arm with his neighbors, and if his neighbors have had similar troubles, they too desire to work together. Thus, out of the needs of individuals comes cooperation--the willingness to work together to remove the obstacles and to gain the security of life together, which each of them had failed to secure alone.

The ant uses cooperative action, and the bee also in making a honey comb. Wild horses put their heads together and fight off the attack of wolves by kicking, and quail form a circle with all facing outward so that the whole covey is protected against the approach of an enemy. Beavers live in individual huts and yet cooperate to build their dam.

Man has one gift which animals do not have. That is the ability to think and reason. Man can, therefore, learn the disadvantages of one method and the advantages of another, and may voluntarily come together to cooperate for the benefit of all. So, we can learn of cooperation and what it can do for us by studying the experiences of other men who have stumbled and gotten up and joined arms in common purpose with other men.

Cooperation, therefore, takes on the meaning of making a living together. Its aim is to reduce the cost of things which men buy so that they may buy other things which they need and want. Cooperation tends to eliminate waste and unnecessary cost in securing these things.

Let us see how this works in a Resettlement Community.

The Government has purchased land and build homes and other buildings in our community so that we may have the opportunity of earning a living. Each of us has had an experience as farmer, laborer, teacher, clerk or business man. We have stumbled and found making a living hard. We could not find work, though we wanted to work. The Government furnished the beginning and we are carrying on.

As the building of the community progresses, or when it is finished, we, as members of the community, are asked by the Government to decide certain questions which will affect our lives. How shall we earn a living in our new community? How shall we do business in our community? Shall we let every man rent or buy a place and then try to work out his problems alone? If we do, we then are acting the same as we did before. The Government has planned our community and with experts has advised us what kind of business seems best for us. The Government does not want to tell us how to conduct ourselves. It is only interested in helping us to earn a living and become independent again.

Out of our experience has come a desire to cooperate with others in the community because there is more strength in a group than in any one of us. We want to produce things and sell them for as much as possible. We desire to buy what we need and want as cheaply as possible. What is left between selling and buying is used for other needs and requirements for the operation of a modern community and for the advantages we all hope for.

The Associations, owned by all of us, can do more for the members than the members can acting alone, and it also permits the community to plan its work. For example, the cooperative dairy has an experienced dairy man in charge and necessary helpers. The profits from the dairy belong to all the members of the community. This is much better for the community than to have one or a few own the dairy and take the profit. It is the same with the poultry co-operative and others. We have a store which is located in our business center. The store buys the things the people want, and sells them at the same prices as private stores. The store operator seeks to give as much quality for the price as possible. The profits are either set-up as additional capital or distributed among the members on the basis of the amount of goods each has purchased. This way of doing business permits the profits from our combined work to remain in the community and by helping each member, it helps us to have more goods and to have the things which make life happier for us and our families.

So, it is, by the method of cooperation in which each member has but one vote, our community expansion is planned by experts, our cooperatives are operated by experienced men and each of us find the work which we can do best.

This is quite different from what we became accustomed to before we stumbled. Then, some tried to keep our wages low and others tried to sell us more than we needed or wanted. We became very confused and somehow could not get along. With cooperation it is different. At first, it is hard to understand, but by study in our classes on cooperation we learn how we can earn a living if we will work together.

It may be interesting to know that some projects may have forests which are owned and operated by a cooperative association. Instead of cutting the trees and selling them and leaving the tract unattended for fire and rains to destroy, the cooperative clears the underbrush and each year cuts the trees which are ready for the market, and provides for the growth of other trees in their place. The members are expecting an income from our forest for quite a long time.

And so the aim of cooperation is not only the selling of products at a high price and buying at a low price, but also to carefully study, plan and operate its work in the best interest of the group and the preservation of our resources for the future.

We have thusly set up cooperatively the machinery for making as much as possible from the community's resources. We have also tried to provide the means of retaining enough of the money to pay off our loans from the Government. The Government prefers to lend money to cooperatives because the cooperatives save money for their members and, therefore, will permit the borrowers, who are the homesteaders, the loans sooner. The whole idea is to make the members of the community self-sufficient and independent American citizens.

AIMS OF COOPERATION

Questions for further study and discussion groups:

1. Is nature competitive or cooperative?
2. Why do animals live in groups?
3. Why do people like to live close to other people?
4. Is competition democratic?
5. Is cooperation democratic? Why?
6. How does cooperation in business usually develop?
7. Can men consciously cooperate?
8. How can we learn of cooperation?
9. What is cooperation?
10. What is its aims?
11. How does it operate?
12. Is it the appropriate method for Resettlement communities?
13. Would any other method be better?
14. Will cooperation help members to become economically independent?
15. Who owns a cooperative association?
16. Who operates the business?
17. Why should it be successful?
18. What are some other aims of cooperation?
19. Are cooperative associations only interested in selling and buying?
20. How does a cooperative look upon natural resources?
21. Is cooperation against anything?
22. What is the spirit of cooperation?
23. Can independence of the individual be maintained in cooperation?



LESSON III

TYPES OF COOPERATIVES

1. Rochdale Principles.
2. Consumer Cooperatives.
3. Wholesale Cooperatives.
4. Why Consumer Cooperatives Manufacture.
5. The Agriculture Marketing Cooperative
 - (a) How it works.
 - (b) Advantages.
 - (c) Ultimate Objectives.
 - (d) As Educators.
6. Supply Cooperatives.
7. Producing Cooperatives.
8. Co-Partnership Producing Cooperatives
 - (a) Advantages.

TYPES OF COOPERATIVES

ROCHDALE PRINCIPLES

The Rochdale principles known throughout the world have a universal application. Cooperation as we know it, began with the use of their plan. If one member puts in \$50 and another puts in \$10, interest is paid on the amount put in, but no advantage or control is given to the larger investment. That satisfies everybody.

It is quite common to think of the man who has little income as being unimportant. The Rochdale plan gives him an equal voice in the management. One vote for each member. They staked their success on the use of the brains of all. By having faith in all their members they gave hope and courage to millions.

Stated simply, the basic principles of this organization mean that people join together to own and run a business for themselves. First, they introduced democracy in business. The individual was of more importance to them than capital so the control of the business was put on a personal basis. No matter how many shares of stock a man had he could have only one vote. When that question was settled they turned to the next one which was to distribute their savings or surplus in a way to satisfy all the members. This they did by returning the savings or profits in proportion to the amount each person or family traded in the store. The third question related to capital. Frequently, the man who put up the capital controlled the business. In their plan they rented capital and paid interest on it, nothing more.



CONSUMER COOPERATIVES

When a purchaser buys he wants good clothing, wholesome foods, pure drugs, good machinery; known quantity in everything he purchases--all at the lowest possible price. In most cases his own judgment is not sufficient. He needs the help of experts. In many cases tests of goods have to be made. To test each article separately is too expensive. His store must do the job of finding quality for him. He may want to buy a cheap article of clothing, but he wants to know what he is buying. He does not want to pay a high price for a cheap or shoddy article. His own store must guide him as to the quality of goods he is buying.

Price is very important to him. When several hundred are buying together their combined buying power enables them to buy more advantageously.

In our modern methods of making and distributing goods and services, it is necessary to have buyers of our goods familiar with prices, quality and all other conditions that enter into securing goods and services for our use. No manager of any store in many instances can be wise enough or experienced enough to do this well.

WHOLESALE COOPERATIVES

Hence we have federations of stores into wholesale associations. These wholesale associations are as democratic as the retail stores or exchanges. They must justify their actions to each retail unit member. Since the power to buy for thousands of people is in their hands they must be well prepared to do their job. Plenty of business experience, excellent business judgment, administrative ability, knowledge of and belief in cooperation.



These qualifications are necessary for success. The members of the wholesale are cooperative associations not individuals. Surplus returns are made on a patronage basis, and through the retail store to the individual member.

WHY CONSUMER COOPERATIVES MANUFACTURE

Sometimes a cooperative wholesale finds it difficult to get the quality of goods they want or they find too great a profit is being made on some articles they have to buy. Cooperatives have never hesitated to manufacture goods for their own use, of the quality and price they wanted. Swedish cooperatives manufactured light bulbs because the price charged for them by the monopoly was too high. English cooperatives wanted good quality shoes and made them. American cooperatives have their own feed mills, fertilizer plants, and oil blending plants. Step by step the consumer cooperatives are reaching towards the source of supplies. Their objective being the best quality at the lowest price.

WHAT AN AGRICULTURAL MARKETING COOPERATIVE IS

The consumer cooperatives want to save money by getting their goods at a low price. In their efforts to do this they strive to get as near as possible to the source of supplies. In this practice they are using the same methods big corporations use. They cut out as many middle men as possible. The producers of farm crops use the Rochdale Plan for marketing their produce. Their associations are made up of individual farmers who in most of their associations permit only one vote per member. They get their capital from their members and from other sources at a low rate of interest and they distribute their surplus on the basis of the amount of business done by each member with the association. With



good business administration marketing associations have largely increased the incomes of farmers.

HOW THE AGRICULTURAL MARKETING COOPERATIVE WORKS

Most of our farming is done by individuals and if they are to continue in the business of farming they must receive for what they grow enough return for their products to pay costs of production plus a profit. This profit represents the amount of money the farmer will have to spend for the needs of his family.

A marketing association may be formed to sell wheat, cattle, pigs, sheep, poultry, fruit, milk, or any one of the things grown by the farmer. In order to get the best price the association may grade, pack, warehouse, ship or do any of the things that have to be done in getting farm products to the consumer. What profit or saving is made by the marketing association is returned to the farmer on a patronage basis.

ADVANTAGES OF MARKETING COOPERATIVES

By combining the products of many farmers the cost of selling is reduced. Better prices are secured because it is the business of the cooperative manager to study the markets to find the best. Better grading is obtained because it is done in a more careful way. Shipping is more readily handled. The members are advised when to sell and when not to sell. In many cases the cooperative association helps its members to finance their crops or makes advances on grain or other products when they are to be held for a later market. The purpose of a marketing



cooperative is to get the best product on the market at the right time so that the best price may be had.

ULTIMATE OBJECTIVE OF MARKETING COOPERATIVES

When the consumer purchases farm products only a small percentage of the amount paid goes to the farmer who produced it. The farmer knows this and wants to get closer to the final consumer. If with his own associations he can do this efficiently, he can secure a better price for his goods, frequently, the ultimate consumer will pay less. There are many people who need the food grown, and with lower prices they will buy more. That would be a valuable service to both the producer and the consumer.

The final test of production is consumption. When the farmers' marketing associations make it possible for consumers to secure a larger supply of bread, vegetables, meat, they have made a real contribution to the health and well-being of our nation.

MARKETING ASSOCIATIONS AS EDUCATORS

Our farmers may produce enough goods to supply the American people, but in return for these goods they must receive enough money to pay interest on mortgages, taxes and to buy the things needed in the production of their crops, and used by their families. After many years of trial and error the policy of buying feed, seed, fertilizer, tools, machinery and the other essentials for producing crops became an established practice. The Farm Credit Administration was established by Congress and Government loans are made to farmers and to associations of farmers. In addition to



the increased prices the marketing cooperative brought to the farmer, the supply cooperatives made it possible for him to buy more supplies for less money.

SUPPLY COOPERATIVES OR MARKETING AND SUPPLY COOPERATIVES

In many instances the supply cooperatives became a part of the marketing cooperatives. In some cases they were organized separately. Local conditions affected the kind of organization. It would naturally follow that if farm supplies could be bought to advantage in a supply cooperative, the needs of the family could also be obtained to advantage by cooperation. So the tendency now is for farm associations to become consumer cooperatives in purchasing household supplies as well as farm supplies.

The farmer as producer is also the farmer as consumer. He must get the best price for his products; he must do all of his buying at the best prices. In both instances he must remove the middle men.

PRODUCING COOPERATIVES

In all farms of consumer cooperatives we had the individual who wanted to get a known quality of goods at as low a price as possible. In marketing cooperatives individual producers want to get the best possible price for what they have to sell. Both of them undertake to do the work that various middle men heretofore did and both tend to reduce the price of goods to the consumer.

When the first cooperators tried to establish factories, they found many difficulties. Their members thought the idea of owning and running their factory would be fine for them, but the difficulty of paying a

satisfactory wage to each worker puzzled them. Every worker thought his contribution was worth as much or more than every other worker. The more they talked the more trouble they had. All of the early efforts failed because of their lack of a satisfactory "yardstick" for measuring each man's contribution to the product.

Skilled craftsmen had been able to form guilds and to evaluate the work of each man but the factory system of manufacturing brought in many problems not met with in the guilds. For one thing the factory introduced inanimate power. First water power, then steam, and now oil, gas and electricity. Muscle power or human energy is an insignificant part of the energy used in our modern factory production. It is estimated by competent engineers that human energy today is less than 2 per cent of the energy used in manufacturing. A small number of trained technical men and skilled workmen can run a very large factory. Very few purely manual operations are required. The tendency now is to reduce this number still more. The worker-owned modern factory is confronted with two serious problems: one, the satisfactory adjustment of wages and salaries when so much of the work is done by machines; and the other the problem of distributing purchasing power so that consumers may obtain the enormous quantities of goods our power age can produce. The question of distributing purchasing power to consumers is not confined to cooperative production, but it is in fact the most serious question confronting the modern world. The co-partnership producing cooperatives are trying to meet this problem.

CO-PARTNERSHIP PRODUCING COOPERATIVES

In recent years in spite of these difficulties, a new successful effort has been made to democratize factory production. Its three basic requirements are that the worker own stock in the factory, that he share in the profits and that he have a share in the management.

This method of forming cooperative corporations for factory production has been successfully done in England. These productive corporations have other individual members besides the workers and, in most cases, other societies such as labor unions hold stock in them. A supervising association keeps in close touch with these associations and prevents their making the mistakes of former efforts.

These societies pay a patronage dividend to their customers. The co-operative copartnership is essentially a compromise between the straight consumer owned manufacturing associations and the self-governing workshop.

ADVANTAGES OF CO-PARTNERSHIP COOPERATIVES

The stock of those corporations is held by people of wide interests. Workers in the factory, labor unions, consumer societies; and while voting is on the basis of one man, one vote, it is easily understood that the investments of the labor unions and of the consumer societies will influence the setting of wage scales in the factory. It is sufficiently different from the capitalist corporation that sells shares to its workers or has a profit-sharing plan to make the workers feel their interest in the success of the association and to develop a spirit for efficient operation. The reduction of waste and the production of superior goods are the results. Labor disputes are reduced to a minimum.

Farming operations on a co-partnership cooperative plan such as we find in some of the Government fostered communities are much more



easily handled. Here the wage scale is determined by the going wage of the community and the surplus is divided equally among the residents of the community all of whom are equal shareholders in the associations.

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TYPES OF COOPERATIVES

Questions for further study and discussion.

1. What are the basic principles of consumer co-operation?
2. How do federations help the retail cooperative store?
3. Why do consumer cooperatives sometimes produce their own goods?
4. What are the basic principles of marketing cooperatives?
5. What are the advantages of cooperative action?
6. Can the consumer and marketing cooperatives work together?
7. Are producing cooperatives helpful to their members?
8. How does the cooperative effort differ from the competitive method of doing business?

LESSON IV

ORGANIZATION AND ADMINISTRATION

1. The Need to be Met and the Use of the Cooperative.
2. First Step in Organization.
3. Preliminary Organization Meeting
 - (a) Preliminary Organization work.
4. Legal Questions.
 - (a) Employment of an Attorney.
 - (b) Board of Directors.
 1. Officers.
 - (c) Voting.
 - (d) Committees.
 - (e) Disagreements.
5. Administration
 - (a) Beware of Failure
 - (b) Bases for Success.

ORGANIZATION AND ADMINISTRATION

THE NEED

The beginning of anything is the recognition of certain facts. In connection with organizing a cooperative association it is essential that there exist a need for what cooperation proposes to do. Or, those who have become interested in cooperation may find that cooperation can be useful to them in their striving to make a living. Often, out of certain conditions arises the feeling of the need, while the usefulness of cooperation to a group may be learned by study of cooperation in action elsewhere.

Obviously, an individual or a small group makes the initial effort to interest others in how cooperation may help the entire group or the community. There is no definite way of bringing this group together. It is usually an informal contacting of people who may be interested.

THE FIRST STEP IN ORGANIZATION

The first step in organization is getting all those interested to come together in a meeting so that everybody's ideas may be expressed and the desires of the group as a whole may be learned.

At this first meeting the facing of facts should be emphasized. The group should establish exactly what they desire to do with the cooperative. What the need is and what use the cooperative will serve, are important questions.

The basic principles of successful cooperatives should be discussed in order to know that the group has a clear understanding of the organization it is trying to organize.

Such principles are:

1. Membership open to all who will work cooperatively.
2. Only one vote for each member.
3. No voting by proxy.
4. Business run primarily to supply members with goods and services for their own use.
5. A large part of net savings to be set aside as a reserve fund.
6. Surplus savings to be used for the general good of the members in any, or all, of the following ways:
 - (a) Left in the association treasury undivided.
 - (b) Left in the association treasury as loan or share capital, credited to members' accounts in proportion to their participation,
 - (c) Divided among the members in proportion to their participation.
7. Efficient bookkeeping and accounting and regular reports to the members.
8. Education in cooperation.

The other important subject is the appointment of a committee to make a very careful survey of all the facts and factors connected with the proposed work. This committee should report at a meeting, and at the proper time it will help to announce that election of temporary officers and discussion of all details will take place at the next meeting. A date should be set.

THE PRELIMINARY ORGANIZATION MEETING

The preliminary organization meeting is held after enough time has elapsed for the committee on plans to report and the other members to thoroughly discuss possible proposals. The first order of business should be the election of temporary officers, such as President, Vice-President, Secretary and Treasurer. During the meeting, temporary committees may be appointed for the various pieces of work which may develop.

After the election, the Committee on Plans should report in detail its findings and recommendations giving a full statement of how its study was conducted and reasons for its conclusions. Following the report everyone should be given an opportunity to express their opinion.

The survey of the proposed activities should cover the following questions and many others which will doubtless arise:

1. What is the activity?
2. How much money is needed? How can it be raised?
3. How much business will be needed to cover the cost of conducting the business?
4. How many individuals and families are members?
5. How much business will they produce?
6. Will they be loyal?
7. Will present business men fight with price wars?
8. Will others be attracted to join?

It is very important to stress at this meeting that new members must be real cooperators - men and women who work for each other, not for an employer, and they must know how to work.

The group may desire the assistance of others who have had experience in cooperative activities. They are available as well as a large amount of material for study. The leading sources are found in the back of this publication.

Number Necessary to Start Buying Club:

As few as 20 or 30 members may start a cooperative buying club prior to organization of the cooperative if they understand the methods of cooperation, know how to work, and are willing to work hard. If they stick together during the difficulties of the first few months, they will have a good chance to succeed. One danger with a small group is that some of the early members may desert the organization and the rest will be left with more work on their hands than they can take care of. On the other hand, the membership should not be larger than is necessary to carry on the activities.

PRELIMINARY ORGANIZATION WORK

Before the cooperative starts work there should be several meetings of the membership. At these meetings the problems can be talked over and all the members can get to know each other.

Those who are to be the active organizers should know what cooperation means and what a cooperative can really do for its members. They must make the people they want as members understand what they will be called on to do and what they will get out of the cooperative. If they promise things that cannot be brought about, the people who joined because of these promises will soon leave and the cooperative will be worse off than if they had never been members.

It is the job of the people who are starting the cooperative to teach the organizers. The organizers must understand that cooperation

means working together, which is not easy, and they must also know that in the beginning the members will not get large benefits. As soon as enough people become really interested and enough members have been signed up, the real organization of the cooperative association can begin. A committee should be named to get information on how to organize. The committee should get to know all the members so they will be able to make sensible nominations for the board of directors and for the necessary committees. At this time, too, they should start thinking about the problem of picking a business manager.

FIRST ORGANIZATION MEETING

When this preliminary work has been done and enough members have promised to work in the cooperative, an organization meeting should be called. Those who call this meeting should be ready to explain in full why they have called the meeting and why a cooperative association is being organized. They should make sure that everyone who has something to say gets a chance to speak at the meeting. If those present want to go ahead with the organization, temporary rules or by-laws should be read so that everyone can know how the organizing is being done. After that, committees on the charter and by-laws, on membership, on business, etc., should be chosen. The charter committee should then start to write a permanent charter and set of by-laws. These should be agreed to and adopted at a membership meeting before the association actually begins work. Every worker will then know before he joins exactly what membership in the association means.

It is important to have a good charter: a good charter is one which is written according to the main cooperative principles and which also sets up a business organization that can work efficiently.

Legal Questions:

An attorney who knows the cooperative laws in your State may be employed. Provision should be made for paying him the cost of securing the Charter and preparing By-Laws and other legal papers. A sympathetic attorney may attend your meetings and put into the papers the wishes of the group. The important items are these:

ARTICLES OF INCORPORATION AND BY-LAWS

Associations should get from the Secretary of State at the State Capitol, a copy of the law governing cooperative associations. In most states it is wise for cooperatives to incorporate.

The charter should begin by giving the name and address of the association and should then explain the purpose for which it is formed, what its principles are, and what its main activities will be. If the cooperative is going to issue share capital, the charter should speak of this fact.

The by-laws are the rules that explain the duties of the members and the officers. An explanation of some of the points that are included in most by-laws follows:

MEMBERSHIP

Ordinarily the membership of a cooperative should be open. If it is limited to a certain number, the cooperative will become a sort of closed club for business and it is likely to stop being a cooperative. Whenever it can do so efficiently, the cooperative should undertake more activities or enlarge the old ones and take in more members accordingly. This helps all the members--it gives the members a larger variety of things they can get from the cooperative.

The by-laws should define membership clearly and should make clear what is asked of anyone before he can be taken into the group. All the other rules covered by the by-laws are for the purpose of making perfectly clear the rights of the members, their duties to the association and the benefits to which they have a right. A membership committee should be appointed or elected to pass on the fitness of persons who want to become members.

MEETINGS

The by-laws should provide for meetings of the entire membership at regular intervals. At these meetings the members approve, or disapprove, the actions of the board of directors or manager. It is here that committees are elected to do special things, and new ideas and new plans for the group are talked over. Committees should make regular reports at these meetings.

It is sometimes necessary to call special membership meetings. A rule should be made that when this is done, all members must be notified reasonably far in advance.

The number of members that are needed to make a quorum: that is the least number of members that may carry on business at a meeting, should be put in the by-laws. The quorum should not be so small that a few members can hold a meeting and make rules that will govern the members who are not present; but the number should not be so large that it will be hard to get a quorum together to do the necessary business.

Cooperative associations should not mix into political or religious matters. The association should not take any stand on those questions and it should not allow them to be mentioned at the meetings.

Violent disagreements may take place and the organization may be hurt badly if there is no rule to prevent this.

Occasionally it is a good idea to have at the meeting speakers who are not members who can give talks about things that are of interest to all the members.

BOARD OF DIRECTORS

A board of directors should be elected by the members to run the business of the association. The directors should be picked very carefully because the success or the failure of the whole enterprise is largely up to them. They should be thoughtful, levelheaded men and women who know how to run things. They should not be persons who just like to look important or persons who are merely hunting for power or persons who will want to boss everything and everybody. They must always remember that they represent the members and that they must be ready to answer for what they have done and that the members can remove them at any time if they are not satisfactory. In the by-laws there should be some arrangement to allow for the re-call of any director or officer.

It is often hard for a new group to know beforehand which members will turn out to be good directors. For this reason, some groups have elected the first board of directors to serve for only two or three months; after that time the group is able to tell which men and women will make the best directors and can then elect a board of directors that will serve for a full term. This arrangement seems to have worked very well in some places.

The number of directors that are selected should also be considered carefully because if the board is too large its meetings will not get through the business efficiently, but it must be large enough so that it really represents all the members. A board of five or seven members is usually about right. In some states the number of directors in a cooperative association is fixed by law.

A cooperative cannot be run efficiently if there is an entirely new board of directors every year. Therefore, the terms of office for which the board of directors are elected should be so arranged that there is constant overlapping. That is, if there are seven directors, three are elected for one year, two for two years and two for three years at the first yearly meeting. A year later, three new directors are elected for a term of three years and at the third yearly meeting, two are elected for a term of three years, etc. The board should meet regularly and as often as necessary to run the affairs of the association. It is usual to have meetings once a week. Some of the duties of the board of directors are as follows:

1. To make arrangements for getting whatever buildings, land and equipment the cooperative needs.
2. To see that the affairs of the association are at all times carried on according to the charter and by-laws.
3. To fix the rates of pay for working members.
4. To arrange for the spending of money.
5. To take charge of the dividing of surplus earnings and savings returns among the members.
6. To take charge of the education and reserve funds.

7. To employ a manager and decide policy with him and to see that he carries out the policy.

8. It is the responsibility of the board to choose and watch over the general manager but they should not try to tell him all the things he should and should not do. They must pick the best person for this job in the first place, and thereafter hold him responsible for the smooth and efficient running of the business of the cooperative.

9. To call meetings of the members regularly and to give full reports at those meetings.

10. To keep up the cooperative spirit among all the members. The Directors should not be paid for going to board meetings just as no member should be paid for going to membership meetings, and no Director should be an employee of the Cooperative.

OFFICERS

At the first organization meeting, permanent officers should be elected and the by-laws should say how long they serve and what their duties are.

The officers should always be members of the board of directors. The board of directors, which is chosen first by the members, chooses officers from its own board members.

The president should be chosen because of his ability, honesty and interest in the cooperative. He should not be selected simply because he is popular or a good speaker. Above all he must not be a person who is domineering. He will take charge of all meetings and it is his job to protect the interests of the members and to carry out their wishes at all times.

The vice-president should be the same kind of person as the president since he acts as president when the president is away.

The secretary should act as secretary at the meetings of both the

board of directors and the general membership. He must keep the minutes all meetings, take care of all letters and be responsible for all the records of the association. He should know at all times which of the members are in good standing and have the right to vote.

The treasurer should be responsible for all the money of the association and keep all the necessary records. All checks should be signed by him and should also be countersigned by the president or other official who is named for that purpose. He should make regular reports to both the board of directors and the general membership on the financial condition of the association. He must be absolutely honest. The association should have the treasurer and anyone else handling money bonded. Frequently the manager handles all money and in these instances he should be bonded instead of the treasurer. By a resolution of the Board of Directors many of the duties and functions of the treasurer may be given to the manager or general manager.

VOTING

No matter how large an interest a member has in the association and no matter how many shares he owns, the cooperative must always run on the principle: one man (or woman) one vote. Only in this way is it possible to be sure that the association will be run by and for all the members.

All members who have bought shares or paid their membership fees and have done what is asked of them in the by-laws should be allowed to vote.

Voting by proxy, which is letting one person vote for someone else, should not be allowed, because if proxy voting is allowed, one member may collect a lot of votes and have a great deal of power that should not belong to him.

Arrangements may be made to allow for voting by mail. When this is done, each member must know exactly what the question is that is being voted on.

COMMITTEES

In any cooperative association there are always certain things that need to be done by the association that are not part of the regular jobs of the officers, the board of directors or the manager.

To take care of this work, committees should be elected, either from the general membership or from the board of directors, depending upon what the job is. Some of these committees may be permanent while others are just temporary to take care of something at a special time. The most important permanent committees are a committee on education and a committee to hear and settle complaints of members.

Committee on Education -- The work of the committee on education can roughly be divided into two parts: education in cooperation and the cooperative movement on the one hand, and general vocational, cultural and social activities on the other. Books, pamphlets and magazines about cooperatives are easy to secure and a library of this kind should be started. The committee should get lecturers who will give talks to the members at regular intervals on some part of cooperation. Whenever possible non-members should be invited to use the library and to attend the talks so that they may learn what the association is doing.

The headquarters of the association should be made a social center for the members. The library should have not only books on cooperation but should also have other books and magazines that will interest the members. Social affairs, games and parties should be arranged by the education committee. All these things make the cooperative more useful to the members and help to hold the members together. Cooperation is not just a better way of working; it is a better way of living too.

Grievance Committee--A grievance committee should be elected by and from the general membership to hear all complaints and settle all disputes that arise. Whenever possible, it should settle disputes without taking them before the general membership meetings. Punishments may be fine, or suspension, or even expulsion from membership.

DISAGREEMENTS

A cooperative can only succeed where the members are working together for their mutual benefit. At times, lazy or selfish people will get into a group and try to make use of the members. It is important for the members of a cooperative to know that this is a real danger and that their cooperative activities can be ruined by a few selfish persons if those persons are allowed to get power in the group. Members like this should be expelled from membership as soon as the cooperative finds out what they are doing.

ADMINISTRATION

The administration of the approved plans is placed with the Board of Directors which is held responsible for carrying out the wishes of the members. The Directors are headed by elected officers who guide and direct the work. The Board of Directors may be divided into committees and these committees hold responsible for supervising certain activities or carrying out special instructions.

The Board of Directors selects the manager. The duties of the manager or general manager shall be (a) to have charge of the direct management of the Association's business in accordance with the in-

structions of the Board of Directors and under supervision of the Board; (b) to engage and discharge the employees of the Association in accordance with the authority given by the Board of Directors; (c) to see to it that accurate books are kept of the business of the Association and to submit the same together with all files, records, inventories and other information pertaining thereto for inspection at any time by auditors appointed by the Board of Directors, or by the Board of Directors; (d) to pay all bills incurred in the operation of the Association's business; (e) to furnish the Board once a month a statement in writing of the conditions of the Association's business and submit a report of the management at the regular meeting of the share holders; (f) to serve as treasurer of the Association when the office of Treasurer is assigned to him by the Board of Directors; (g) to attend to such other duties and offices as the Board of Directors may require.

BEWARE OF FAILURE

Success for your cooperative will not automatically follow your desire for success. It will come only from hard work and the united support of all your members. Cooperation offers many opportunities to cooperators, but it is not a lazy man's business. Your cooperative should remember the ants rather than the Cuckoo bird which lays its eggs in another's nest to be hatched. You will have to watch the Cuckoo birds in your organization. Fortunately, you will not have to experiment very much because so many cooperatives have been thru that stage. If your group will study the

experiences of successful cooperatives and practice their ways, your experimenting is reduced at least as much as possible.

THE BASES FOR SUCCESS

The success of your organization is in the hands of each member because each member has a part to play. You will find many other bases for success; the following are a few which have been learned by other cooperators.

1. Meet regularly to learn to know each other and what others are thinking in order to improve the cooperative.
2. Unity and harmony must not only be taught but the necessity for it shown, so that it does not remain an emotional thing, but becomes a part of the individuals' mechanism of self-preservation.
3. Reports should be made regularly by the Manager and Committees so that the members are always familiar with all operations of the cooperative. The business of the cooperative must be an open book to its members.
4. The Manager works for the members. The Members pay him, but his work can succeed only as the members guide him as to their wishes and at the same time accept his guidance in matters in which he is proficient and efficient.
5. Finally, the cooperative should succeed if:
 - (a) Your group has carefully surveyed your plans and anticipated the troubles which may arise.
 - (b) The members select the right men for Directors
 - (c) The Directors select the right man for Manager

- (d) The members are loyal to the cooperative principles and support the Manager.
- (e) The members study and learn cooperation as a means of economic self-protection and self-preservation.
- (f) The members realize that there is no perfect cooperative and that they must always be diligent in watchfulness and loyal in action in order that the cooperative may be prepared to meet emergencies and changes.

ORGANIZATION AND ADMINISTRATION

Questions for further study and discussion:

1. Why do you want a cooperative association?
2. What need for the community will it fill?
3. What benefits do you expect?
4. What are the basic principles of cooperation?
5. What are the questions to be answered in a survey?
6. How do you start a cooperative association?
7. What are the important items to be determined?
8. Who operates a cooperative?
9. What is the relation between the Manager and the Members?
10. Is education necessary? Why?
11. Why do cooperatives fail?
12. What are some bases for success?

REFERENCES AND STUDY

Should your desire to read or study more about cooperation, how it started, how it has worked successfully, how to organize, how to operate, and the economic reasons for it, the following books and pamphlets will be found helpful. In them you will find references to more books on subjects related to Cooperatives:

"Fundamentals of Consumer Cooperation"

V. S. Alanne, Northern States Cooperative League,
Minneapolis, Minnesota, 1936.

"A Short Introduction to Consumers' Cooperation"

Ellis Cowling, Central States Cooperative League,
3954 W. 27th Street, Chicago, Ill., 1935

"Consumer Cooperation in America"

B. B. Fowler, Vanguard Press, New York, 1936.

"Cooperative Purchasing of Farm Products"

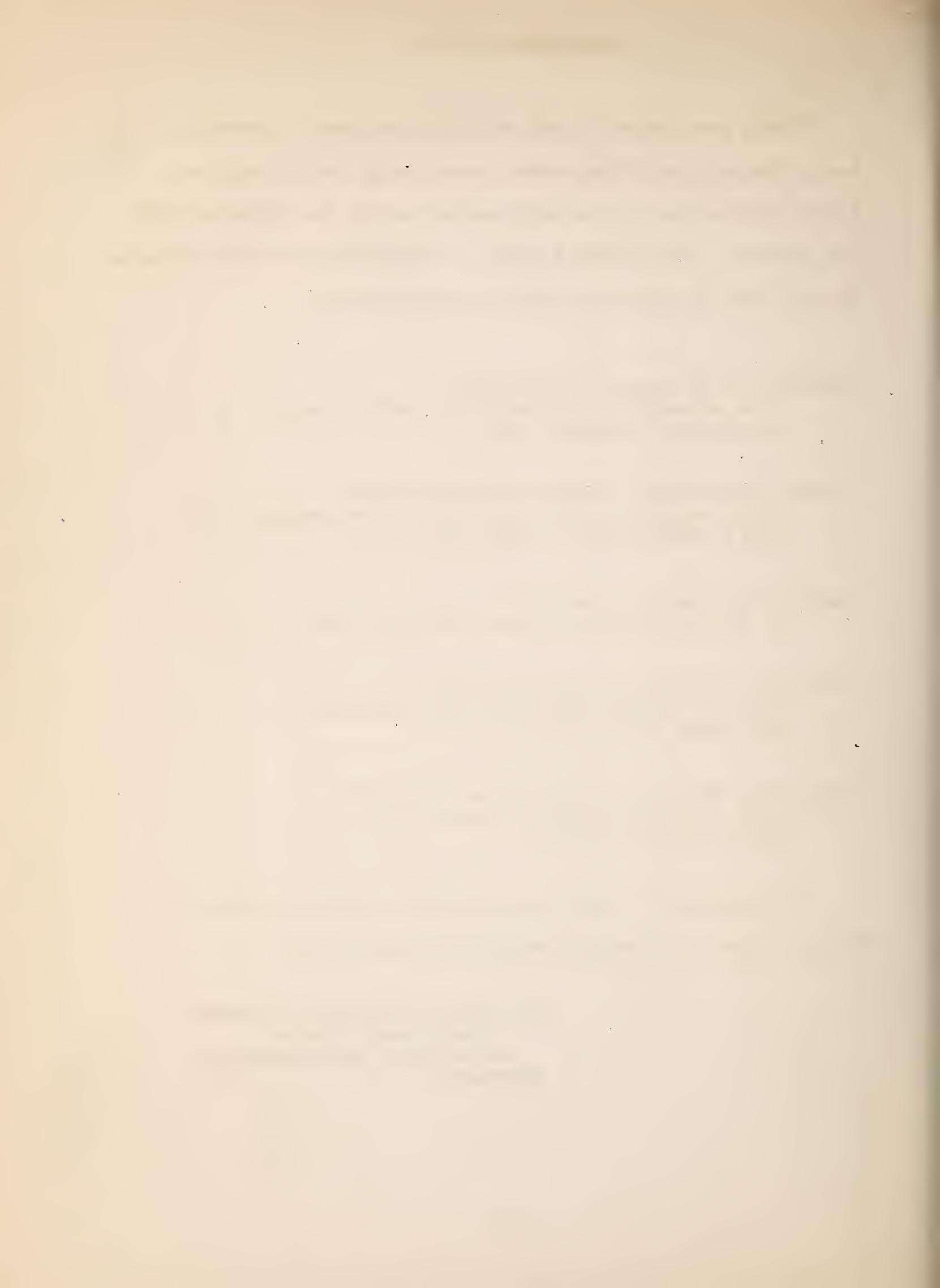
Knapp and Lister, Farm Credit Administration,
Washington, D. C., 1935.

"Cooperative Marketing of Agricultural Products"

W. W. Fetrow, Farm Credit Administration,
Washington, D. C., 1936.

For assistance in executing the details herein described or for more detail information, you may communicate with

The Economic Development Section
Management Division
Resettlement Administration
Washington, D. C.



I, III, IV.
Dec. 8, 1956.



